

## PURCHASE OF SILVER BULLION.

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### LETTER

FROM

## THE SECRETARY OF THE TREASURY,

TRANSMITTING,

*Pursuant to House resolution dated September 27, 1893, information as to why silver bullion was not purchased in the months of July and August.*

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OCTOBER 5, 1893.—Referred to the Committee on Coinage, Weights, and Measures and ordered to be printed.

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TREASURY DEPARTMENT,  
OFFICE OF THE SECRETARY,  
Washington, D. C., October 4, 1893.

SIR: I have the honor to acknowledge the receipt of the following resolution, passed by the House of Representatives on September 27, 1893:

*Resolved*, That the Secretary of the Treasury be requested to inform the House why silver bullion was not purchased in the months of July and August, 1893, to the full amount provided in the act of July 14, 1890.

I respectfully submit the following reply:

On August 13, 1890, the date the act of July 14, 1890, went into effect, the equivalent of the London price for silver 1,000 fine in United States money was \$1.1254. The amount of silver offered the Department on this date was 882,000 ounces, at prices ranging from \$1.13 to \$1.14 per ounce fine. Of this amount 310,000 ounces were accepted at \$1.13.

On the 15th of August the London price was \$1.142; the New York price, \$1.143. The amount offered the Government was 704,770 fine ounces, at prices ranging from \$1.14 to \$1.1525. The Government purchased 417,770 ounces, at prices ranging from \$1.14 to \$1.1495.

On August 18 the New York price was \$1.19 to \$1.193. The amount offered the Department was 590,000 fine ounces, at from \$1.16 to \$1.20 per ounce. Of this amount 540,000 ounces were purchased at prices ranging from \$1.16 to \$1.193.

On the 20th of August, the price ranged in New York from \$1.201 to \$1.203, while the London price was \$1.1850. The amount offered on this date was 1,364,000 ounces, of which there were accepted 516,000 ounces at prices ranging from \$1.1945 to \$1.201.

On the 22d the London rate was \$1.1876, and the New York price \$1.19. The amount offered was 1,520,000 ounces, of which 425,000 ounces were purchased at from \$1.193 to \$1.195.

On August 25 the London price was \$1.182, and the New York price \$1.1975. The amounts offered the Department aggregated 1,020,000 ounces, of which it purchased 450,000 ounces at from \$1.1950 to \$1.19¾.

On August 27 the London rate was \$1.1767, the New York price, \$1.18¾ to \$1.19¼. The Department was offered 1,946,000 ounces, of which it purchased 613,000 ounces at \$1.19 to \$1.19¼.

The London price on the 29th of August was \$1.192; the New York price, \$1.19¼ to \$1.19¾. The Department was offered amounts aggregating 1,453,000 ounces, of which it purchased 358,000 ounces, at \$1.1949 to \$1.19¾.

The prices quoted in New York on September 5, 1890, were over a half cent less than the London rate. The offers made the Department ranged from \$1.172 to \$1.19¼. Two small lots were purchased at from \$1.172 to \$1.17¾.

The practice of accepting the lowest price as fixed by the bidders, and which were almost without exception in excess of the prices quoted by the daily press, continued until June 12, 1893, when the system of making counter bids, in cases where the prices asked by bidders were regarded as more than the market price, was inaugurated.

The department completed the purchase of 4,500,000 ounces for the month of June on the 21st day of that month, and announced that no further purchases would be made until July. After this announcement, it appears that dealers in silver bullion in New York commenced to sell very freely in London for future delivery.

As is well known, on June 26 the legislative councils of India enacted a bill closing their mints against the free coinage of silver. Upon this action becoming known there was great pressure to sell silver, and the market became completely disorganized, the price in London declining from 37 to 30½ pence, and in New York, from 84 to 62 cents per ounce.

On the 1st of July the price commenced to advance on speculative buying on American account, until on the 5th the price in London was equivalent to 75.94 cents, while certificates for silver deposited with the Mercantile Trust Company of New York was quoted at 75 cents per ounce. Offers aggregating 520,000 ounces, at prices ranging from 75.45 to 78 cents were made the Department on this day, but owing to the unsettled condition of the market and the belief that the price had been bid up for speculative purposes in anticipation of the resumption of purchases by the Department, it was difficult to fix a price, and all offers were declined, and no counter bids made.

On July 7 the offers of silver aggregated 1,178,000 ounces at prices ranging from 72 to 76 cents. The equivalent of the London price was 74.48 cents. The quotation for bullion certificates in New York was 72¾ cents. An offer of 100,000 ounces at 72 cents was accepted, and the same rate tendered for the remaining 1,078,000, the offer of the Department being accepted for 488,000 ounces.

On August 23, 1893, the London rate was equivalent to 76.35 cents per ounce fine, and the New York rate as quoted ranged from 76¼ to 76½ cents. The offers this day aggregated 636,000 ounces, at from 76 to 76¾ cents per ounce, all of which were declined, and 75½ cents tendered, which rate was accepted by bidders for 416,000 ounces.

It is difficult to fix the market price of silver, especially as the prices vary constantly from day to day, and, in fact, almost hourly, and when the sellers or dealers themselves differ so widely in the rates at which they offer silver to the Government.

In view of these facts it seems eminently proper that, as the Government of the United States is the largest purchaser of silver in the

world, the Secretary of the Treasury, after an examination of the offers and quotations of each day, should determine what in his judgment is a fair market price, especially as the act of July 14, 1890, expressly provides for the purchase of "4,500,000 ounces, or so much thereof as may be offered in each month at the market price thereof." It is evident that there are but two courses open to the Secretary of the Treasury under this statute. He must purchase 4,500,000 ounces of silver each month at whatever prices may be asked by the dealers, no matter how unreasonable or extortionate they may be, or he must employ such means as are at his command to ascertain what the actual market price is, and make, or offer to make, the purchase at that rate; and it is simply because the dealers were not willing to accept what was considered a fair market price that 4,500,000 ounces were not purchased during the months of July and August. There is no valid reason why the Government should pay for silver bullion higher prices than are paid by individuals, or why one refiner or dealer should receive a price for his silver greater than that paid to another on the same day and in the same market.

The silver bullion which the Secretary of the Treasury is directed to purchase is not graded or divided into classes like other commodities, such as wheat, cotton, pork, etc., but must be purchased and paid for at one degree of fineness, namely, 1,000 fine, or in other words, pure silver; and, therefore, there can be no reason why it should be offered or purchased at different prices at the same time. In purchasing all other commodities and supplies the Government endeavors to purchase at the market rate, and believing that there was no reason why this rule should not govern the Secretary of the Treasury in making purchases of silver, the practice of making counter offers when the prices asked were regarded as in excess of the market rate was adopted on the 12th day of June last, and has continued ever since that date. With two exceptions only the Department has been able to purchase more or less silver on its counter offers every purchasing day, thus establishing the fact that the rate fixed by the Department was a fair market rate. In order to fix a market price to be paid for silver the governing market of the world must be consulted.

As the world's supply of and demand for silver meet in London it is necessary to take the prevailing price there into consideration; and as that market obtains by far the greater part of its silver from the United States, Mexico, and South America it follows that the Treasury Department should be able to purchase silver here at a lower price than that of the London market, the cost of placing silver in that market being between three-tenths and four-tenths of a cent per ounce.

What is the market price of a given article at the time of the negotiations between the buyer and the seller is always a question of more or less difference of opinion between them, and it is a question which neither of them alone can settle. It can be adjusted only by mutual agreement, and the effort of the Government since June 12 last has been simply to ascertain the fair market price of silver bullion on each day it was offered for sale and, when ascertained, to make its purchases at that price.

Respectfully yours,

J. G. CARLISLE,  
*Secretary.*

Hon. CHARLES F. CRISP,  
*Speaker of the House of Representatives.*

